

MONTANA BOARD OF HOUSING

Crowne Plaza Hotel

27 N 27th St.

Billings, MT 59101

July 9, 2007

ROLL CALL OF BOARD

MEMBERS: J.P. Crowley, Chairman (Present)
Betsy Scanlin, Vice Chairman (Present)
Susan Moyer, Secretary (Excused)
Audrey Black Eagle (Present)
Bob Gauthier (Present)
Jeanette McKee (Present)
Jeff Rupp (Present)

STAFF: Mat Rude, Multifamily Program Manager
Chuck Nemec, Accounting & Finance Manager
Nancy Leifer, Homeownership Program Manager
Penny Cope, Marketing & Web Specialist
Diana Hall, Administrative Assistant

COUNSEL: Pat Melby, Luxan and Murfitt

UNDERWRITERS: Peter Nolden, UBS Financial
Gordon Hoven, Piper Jaffray
Beth Sivilie, GK Baum
Frank Fallon, RBC Dain Rauscher
Bill Tierney, RBC Dain Rauscher

OTHERS: Sheila Rice, Montana Homeownership Network
Susie Redinger, Intermountain Mortgage
Steve Redinger, Intermountain Mortgage
Linda Henry, homeWord
Nokki Stabley, Rural Development
Gloria Hawkins, Rural Development
Barbara Seeley, Intermountain Mortgage
Don Sterhan, Mountain Plains Equity Group
Mark Maher HRDC 7
Sheri Boelter, HRDC 7
Greg Dunfield, Allied Pacific Development
Mark Dean, Citi Bank
Philip J. Kennedy, American Opportunity Foundation
Katina Uecker, Tamarack Property Management Company
Jeryl Schneider, Tamarack Property Management Company

T. J. Gilles, Billings Outpost
John Rife, MT Department of Labor
Bruce Posey, Streeter Brothers Mortgage
David Bland, Travois, Inc.

CALL MEETING TO ORDER

Chairman, J. P. Crowley, called the meeting to order at 8:30 a.m.

INTRODUCTIONS AND PUBLIC COMMENTS

J. P. Crowley asked the Board, staff, and guests to introduce themselves and asked for any public comments. Steve Redinger said there is a vibrant real estate market in the area. First-time homebuyer properties range from \$200,000-\$350,000. The unemployment rate is 2.1%.

Sheri Boelter of the HRDC said the five county area needs assessment showed the number one issue was affordable and access to affordable housing.

Linda Henry thanked Montana Board of Housing (MBOH) for the Homebuyer Education. They have served 420 in Billings this year. She extended an invitation to see the Southern Lights Tax Credit Project, which they hope to have people moving in by September to October.

APPROVAL OF MINUTES

Bob Gauthier moved to approve the June 6th meeting minutes as corrected. Betsy Scanlin seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

HOMEOWNERSHIP PROGRAM

Nancy Leifer said the mortgage rates for the past month started at 6.375% locally and has gone up to 6.75%. MBOH's goal is to stay with ½ to ¾ % of the market rate and we are within that spread with a rate of 6%. The 2007 Series B bond issue has been reserved and MBOH is starting a Bridge Program. The average income for the 2007 B issue is \$39,915 and the average loan amount is \$127,469. Peter Nolden of UBS Financial gave an update on the proposed 2007 C bond issue of \$50 million of Lendable Proceeds. There would not be any replacement or economic refunds for this bond issue which would close on August 9th. Betsy Scanlin moved to approve Resolution 07-0709-S3 to grant preliminary approval to the issue Single Family bonds for approximately \$68,400,000 for the remainder of the year to preserve volume cap. Jeannette McKee seconded the motion. The Chairman asked for public comments. The motion passed unanimously. The Board gave their consensus to move ahead with the proposed 2007 C bond issue. Staff requested \$10 million pre-Ulman funds be allocated for the setaside pool for first mortgages with down-payment assistance. Jeannette McKee move to allocate \$10 million pre-Ulman funds. Bob Gauthier seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

MULTIFAMILY PROGRAM

Mat Rude said the Board tabled reconsideration of the scoring of Fort Peck Housing Authority's Appeal of Tax Credit Allocation to get more information on if they can reapply next year. He presented an opinion from Pat Melby, MBOH's legal counsel, which said that the QAP could be interpreted to allow the Fort Peck project to apply in 2008 for the balance of the project that was not funded this year because it would have been funded if there had been sufficient tax credits available.

Betsy Scanlin moved to untable the motion from the last meeting to reconsider the scoring of the Fort Peck project. Jeff Rupp seconded the motion. The Chairman asked for public comments. The motion passed with Jeff Rupp opposing the motion. The motion to reconsider the scoring was on the floor. Pat explained that the scoring could be changed, but that would not change the allocation because the Board has the discretion to determine who is allocated Tax Credit funds from those projects that meet the minimum threshold. Betsy said the scoring process is a guide to compare projects, but not all can be funded. Staff weighs the projects against one another and she is comfortable with the outcome, however she is sympathetic to leave the door open to consider the project next year. The Chairman asked for public comment. David Bland urged the Board to rescore even though it may be a mute point. They would like the Board to acknowledge errors regarding the narrative on extended use, green design, and management practices. However, they are encouraged about applying again next year. The Chairman asked for the question of all those in favor of rescoring the application. The motion did not pass. Pat suggested that the Board adopt the opinion that Fort Peck may apply for Tax Credits next year with the caveat that they meet the criteria and that the Board sees progress on the first part of the project. Bob Gauthier moved to recognize the memorandum from legal counsel regarding the Fort Peck Housing Authority application and to allow them specifically to apply for tax credits in the next year. Betsy Scanlin seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

The South Forty Apartments requested a conduit bond deal for \$5,100,000 in bonds. The project scored 100 points with a minimum threshold of 90 points. It is an existing senior project with Project Based vouchers that will continue. Bob Gauthier moved to adopt Resolution 7-0709-M1 to grant preliminary approval for the issuance of multifamily bond for approximately \$5,100,000. Betsy Scanlin seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Mat presented a summary of the major changes proposed in the draft amended 2008 QAP and asked for Board input. It will be put out for public comment and then brought to the August Board meeting to finalize. Jeanette McKee moved to accept the draft QAP as is except substitute the proposed Administrative Rule III, subsection 7 for bold print on the last page. Betsy Scanlin seconded the motion. Jeff Rupp moved to amend the motion to add two more points for scoring for less than 30% of AMI rentals and also retain the points for local government input. Betsy Scanlin seconded the motion. The Chairman asked for public comments for the amendment to the main motion. The motion passed unanimously. The Chairman asked for public comments on the main motion as amended. The motion passed unanimously.

Mat presented the proposed Tax Credit Administrative Rule to outline the procedure the Board uses in evaluating applications for allocation. Jeff Rupp moved to approve the proposed Administrative Rule for a hearing. Betsy Scanlin seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

There were two Reverse Annuity Mortgage (RAM) exceptions to the lump sum limit. Betsy Scanlin moved to approve the RAM exceptions. Bob Gauthier seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

A draft policy of Ex Parte Communications for where the Board acts as a quasi-judicial body was proposed. Bob Gauthier moved to accept the draft policy with the paragraph that quotes the MCA removed. Jeff Rupp seconded the motion. The Chairman asked for public comments. Betsy prefers no ex parte communication so all Board members hear the same story, so she would omit the disclosure part or have immediate disclosure through MBOH staff. The motion passed with Betsy rejecting the motion.

FINANCE PROGRAM

Chuck Nemec expressed praise and appreciation to staff member Becky Anseth for all her work training staff, working with the lenders along with keeping up the accounting tech work before Craig Woods was hired.

An internal control policy was presented to ensure good business practices and formalizing staff, Board, and counsel responsibility. Bob Gauthier moved to approve the internal control policy. Jeanette McKee seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

HOMEOWNERSHIP PROGRAM continued

Nancy Leifer gave an update on proposed Mortgage Backed Security loans through Fannie Mae. MBOH will be issuing an RFP that will have 2 sets of ranking criteria. One to select a Master Servicer based on high return and the second to select a second Master Servicer based on proven capacity to work individually with the servicers that we already have. The goal is have the program start January 1st.

Sheila Rice said foreclosure prevention counseling hours increased 10 fold. She requested \$66,000 for funding for the expected shortfall for homebuyer education, homeownership planning and housing counseling and reducing the rental counseling reimbursement from \$45 per hour to \$20 per hour to bring rental counseling expenses within the budget remaining. Studies show that people who get pre-purchase counseling and homebuyer education have 35% less likelihood to ever be in foreclosure. Bob Gauthier moved to grant the request for \$66,000. Betsy Scanlin seconded the motion. The Chairman asked for public comments. The motion passed with Jeff Rupp abstaining from voting. The Board and guests suggested sending out a brochure with contact information as loans are purchased and also the possibility of a website for standardized Homebuyer Education.

The Montana House has a request from the Miles City Community College to work with the plans to build houses. They would like to produce the first house at an on-site location. The Board was encouraged that Miles City was interested and that the Montana House Program would be in Eastern Montana.

Staff recommended extending the GAP Financing Program Setaside for an additional 18 months. Jeanette moved to extend the GAP Program to December 31, 2008. Bob Gauthier seconded the motion. The Chairman asked for public comments. The motion passed unanimously. Staff will

approve situations where there is land as an asset and bring other situations before the Board for approval.

Nancy presented a proposal for Extended Household Income limits which would apply to the HUD 184, Manhattan State Bank, and Chippewa Cree setasides. The occupancy requirement would allow 3 people per room counting only those rooms with an egress consistent with local building codes. Betsy Scanlin moved to approve the Extended Household Income limits. Bob Gauthier seconded the motion. The Chairman asked for public comments. The motion passed unanimously. Nancy reported that the Manhattan State Bank was approved through their regulator and will proceed with the program for essential workers.

EXECUTIVE DIRECTOR

The Housing Division Highlights show the monthly accomplishments of the Housing Division.

The next meeting is scheduled for August 6th in Kalispell with a workshop the afternoon preceding. Future meetings are tentatively scheduled for September 10th in Lewistown, October 15th in Shelby, and November 19th via Met-Net Video Conference in Helena.

The meeting adjourned at 11:25 a.m.

Susan Moyer, Secretary

Date